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Congress of the United States

Washington, DC 20515

May 22, 1997

The Hon. Janet Reno
Attorney General of the United States
U.S. Department of Justice
Constitution Ave. & 10th Street, NW
Washington, D.C. 20530

Dear General Reno:

We are writing to request that the Justice Department's investigation of alleged illegal foreign campaign contributions to the Clinton campaign and the Democratic National Committee include an investigation of the possible link between contributions from various Asian donors and the Clinton Administration's loosening of export controls on sensitive dual-use equipment and technology, which has specifically benefited the military and intelligence services of the People's Republic of China (PRC).

The PRC makes no secret of the fact that it is attempting to acquire a diverse, highly flexible, strategically dispersed and survivable military production capability, with force projection a key goal. The administration's pattern of decontrol and failure to enforce existing law with regard to both export procedures and punitive sanctions has substantially benefited the military goals of the People's Republic of China and presented serious new challenges to the security interests of the United States.

In our minds, there are a number of cases that raise serious questions about whether improper outside influence was brought to bear on Administration officials -- including the President -- and if that influence has resulted in decisions and policies that have liberalized the transfer of defense-related technologies, something which is clearly incompatible with the interests of our nation.

Examples of questionable decisions:

- Sales of sophisticated machine tools to the PRC -- A U.S. company, McDonnell Douglas, was allowed to ship an almost completely intact missile and strategic bomber factory to the PRC, despite strong opposition from specialists at the Department of Defense and evidence that the equipment was going to be diverted to military production facilities. Prior to the issuance of the original export licenses, the case was discussed with concern at the highest levels of the government, yet it was approved in the end.

News stories and a GAO report requested by the House National Security Committee (HNSC) all show that before the equipment was shipped, U.S. officials were aware that the conditions placed upon issuance of the export

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licenses were unenforceable, and that the Chinese possibly intended to divert the equipment they had purchased for civilian use to a military production facility.

During the period immediately before the sale -- and before the export licenses had been approved -- McDonnell Douglas officials showed officials from CATIC (China National Aero-Technology Import-Export Corporation) through the plant during operating hours, allowing them to videotape classified production lines in operation -- a violation of current export law, which was brought to the attention of Administration officials and ignored.

Finally, once it was determined that the diversion had occurred, political appointees at the Departments of Commerce and Defense approved new licenses with different end-use conditions and destinations rather than expressing displeasure with the Chinese or exercising their legal obligation to sanction the PRC.

While aspects of this case are now under review by a grand jury in the District of Columbia, it is imperative that this matter receive full scrutiny in the context of the Justice Department's investigation of campaign finance improprieties.

- **Supercomputers** -- The extraordinary loosening of controls on militarily-sensitive supercomputers, which began in 1994, has resulted in the sale of 46 supercomputers rated at 2,000 MTOPS and above to China in the last 15 months. According to a former Under Secretary of Defense who testified before the HNSC Procurement Subcommittee, these sales may have given the PRC more supercomputing capacity than the entire Department of Defense. Uses for supercomputers include: design and testing of nuclear weapons; sophisticated weather forecasting; weapons optimization studies crucial for the efficient use of chemical and biological weapons; aerospace design and testing; creating and breaking codes; miniaturizing nuclear weapons; and finding objects on the ocean floor, including submarines.

The decision to loosen U.S. controls on supercomputers was made in spite of the opposition of a number of Defense Department staff experts, senior military and intelligence officials, and Members of Congress. It was justified by a report commissioned and paid for by the Department of Commerce using outside consultants supplied by political appointees at the Department of Defense. The contract for the report was awarded noncompetitively to a well-known opponent of export controls. Viewed in the context of recent revelations about Chinese efforts to influence the U.S. political scene, the significant policy changes that have been pursued in this area bring into question the Administration's motives for decontrol.

- **Hot Section Technology** -- The Administration's decision to change the jurisdiction on so-called "hot section" technology from the Department of State, which had guarded it jealously, to the Department of Commerce, which is in the business of making it easier for foreign entities to purchase U.S. products and technology also raises serious concerns. Hot section technology allows U.S. fighter and bomber aircraft to fly for thousands of hours longer

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than those produced by less sophisticated manufacturers, providing our military forces with significant cost and readiness advantages over those of other nations. Again, serious questions arise with respect to policy changes in light of Chinese efforts to influence Administration actions.

• **Telecommunications** -- In 1994, sophisticated telecommunications technology was transferred to a U.S.-Chinese joint venture called *Hua Mei*, in which the Chinese partner is an entity controlled by the Chinese military. This particular transfer included fiber optic communications equipment which is used for high-speed, secure communications over long distances. Also included in the package was advanced encryption software.

Both of these transfers have obvious and significant military applications, and, again, this transfer was accomplished despite opposition from technical experts at the NSA and within the Pentagon.

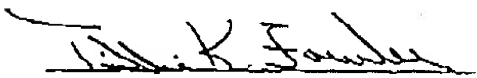
The administration's actions in the above-mentioned cases, and others, have resulted in a significant increase in indigenous Chinese military production capabilities. Given China's willingness to sell weapons and technology to the highest bidder -- including rogue nations such as Iran, Iraq, and Libya -- these transfers could represent a profound threat to U.S. military personnel. Moreover, the increased capabilities that China has gained portend a regional arms race and increase the possibility of conflict in a region in which the United States has major interests.


Under the circumstances, it flies in the face of common sense for us to provide the PRC with the means to achieve their military and strategic goals. The administration's decisions seem very suspect to us, and we strongly believe they should be investigated.

In closing, we would note that this letter does not reflect a change in our belief that a special counsel should be appointed to investigate allegations of improper fund-raising and campaign contributions, but rather an acknowledgement of the investigation as it presently exists.

Thank you for your consideration of this request. We look forward to your timely response.

Sincerely,


Tillie K. Fowler
Committee on National Security


Henry Hyde, Chairman
Committee on the Judiciary